



The Patient Advocate Pharmacy

Workers Compensation Line	888-321-7945
Auto Injury Hotline	866-926-8497
Customer Service Fax Hotline	800-305-0499
Prescription Fax Hotline	800-497-4276

June 27, 2011

Assistant Commissioner Hall
Department of Labor and Industry
443 Lafayette Road N.
St. Paul, MN 55155

Dear Assistant Commissioner Hall:

Injured Workers' Pharmacy (IWP) is an industry leader in the area of prescriptions for workers who have been the victims of workplace mishaps. As a home delivery pharmacy with licenses in 48 states and a primary focus on workers' compensation, IWP has over nine years of experience in workers' compensation pharmaceuticals. Please accept Injured Workers' Pharmacy's comments in response to the recently enacted legislation, S.B. 1159, that gives the Commissioner the authority to change the pharmacy fee schedule standard from average wholesale price (AWP) to wholesale acquisition cost (WAC).

Last year Texas considered a similar proposal, but ultimately decided to continue using the AWP standard. The legislative and regulatory bodies reacted to rumors that AWP may be discontinued. That is not the case. Thompson Reuters Red Book TM has been recognized as a trusted and reliable source in publishing AWP pricing information for years. There is no clear methodology in determining a new pricing standard as an alternative to AWP. While there are other possible solutions, like WAC, each methodology has problems which will continually lead us back to using the AWP benchmark as the standard.

Further compounding any presentation of a new pricing methodology is one underlying issue, and that is actual cost. AWP in reality is a reference point in which payors benchmark the rates at which they reimburse for prescription drugs. It does not reflect the actual cost paid by any prescription provider. The drug pricing industry is built on some form of the AWP methodology; any change other than AWP would have a minimal impact on manufacturers and distributors, but a significant impact on the rest of the supply chain. This would ultimately affect the ability of providers to accept and provide workers' compensation prescriptions without facing a major financial loss. At IWP, we have 319 drugs on hand that do not have a WAC price. There are 948 drugs we could dispense that do not have a WAC price. When a drug does not have a WAC price, Minnesota rules require the use of Maximum Acquisition Cost (MAC). Out of the 948 drugs we dispense that do not have a WAC price, 520 also don't carry a MAC price. MAC was set up for Medicaid, not workers' compensation. Other pharmacies that dispense in Minnesota will undoubtedly have the same concerns. AWP is the nationally recognized standard until another standard is proven effective.

Any recommendation to change the presently effective Minnesota workers' compensation pharmacy fee schedule would cripple the access and quality of care for injured workers. As you are well aware,

P.O. Box 338
Methuen, MA 01844-0338
www.IWPharmacy.com





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there is a high degree of risk involved in providing prescription care to injured workers. Coverage information may not be available at the first fill and the validity of the claim may be in question for several refills. Additionally, claims may move back and forth through various stages of compensability creating further uncertainty and risk. The end result is that many injured workers do not receive adequate prescription coverage which translates to a decline in return to work outcomes and possibly ever increasing interventions, driving up total cost. IWP believes a state fee schedule should act as a safety net to the injured workers allowing pharmacies the ability to reduce the uncertainty in obtaining prescription care. The Texas Department of Insurance released a presentation when it was considering making the change from AWP to WAC. One of the slides in the presentation (enclosed) entitled Benchmark Comparison to AWP, listed the different pricing methodologies, including AWP, AAC, AMP, MAC, WAC, and U&C. The bar graph demonstrates that WAC is on average only 80% of AWP for Brand and 30% of AWP for Generics. We confirmed these results at IWP. In order to equal AWP, the price ranges from WAC *1.2 for brand, to a wide variation for generics depending on the drug. The slight chance that AWP will be replaced in the future by some other standard does not justify the conversion now.

S.B. 1159 gives the Department the authority to change from AWP to WAC, but it does not mandate it. If and when another nationally adopted standard is recognized, that would be the ideal time to make the change in the pharmacy fee schedule.

We appreciate the opportunity to present our thoughts and look forward to future discussion.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Michael A. Cikacz'.

Michael A. Cikacz, Vice President

